HC INTERNATIONAL, INC.

慧聰網有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2280)

INTERIM RESULTS ANNOUNCEMENT FOR SIX MONTHS ENDED 30TH JUNE 2016

FINANCIAL HIGHLIGHTS

- **Revenue** was approximately **RMB465.8 million**, increased by approximately RMB74.7million, or increased 19.1%, when compared to approximately RMB391.1 million recorded for the corresponding period in 2015.

- The Group's **EBITDA*** was approximately **RMB68.9 million**, decreased RMB2.2 million from approximately RMB71.1million in the first half year of 2015.

- **Profit Attributable to Equity Holders of the Company** was approximately **RMB29.0 million** during the first half year of 2016, while it was approximately RMB41.1 million in the same period of 2015, representing a decrease of 29.4%.

- The **Diluted EPS** was **RMB0.0312**, decreased by approximately 47.9%, when compared to RMB0.0599, on a year-on-year basis.

Note: *Profit before interest, income tax, depreciation, amortization of intangible assets, land use rights and share based payment

* *For identification only*

UNAUDITED INTERIM RESULTS

The board (the "Board") of the directors (the "Directors") of HC International, Inc. (the "Company") hereby announces the unaudited financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30th June 2016, together with the comparative figures for the corresponding period ended 30th June 2015 to the shareholders of the Company.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Six months ended 30th June	
	Note	**2016**	2015
		RMB'000	*RMB'000*
Revenue	*3*	**465,769**	391,052
Cost of revenue	*4*	**(46,649)**	(34,211)
Gross profit		**419,120**	356,841
Other income		**5,539**	2,080
Other gains		**32,563**	–
Selling and marketing expenses	*4*	**(311,968)**	(229,511)
Administrative expenses	*4*	**(138,193)**	(99,124)
Operating profit		**7,061**	30,286
Finance (cost)/income, net	*5*	**(8,344)**	5,040
Share of post-tax losses of associates		**(4,560)**	(2,493)
Share of post-tax profits of joint ventures		**11,244**	9,127
Profit before income tax		**5,401**	41,960
Income tax credit/(expense)	*6*	**3,338**	(7,977)
Profit for the period		**8,739**	33,983
Other comprehensive income and item that may be reclassified to profit or loss:			
Fair value gains on available-for-sale financial assets		**50,694**	164,358
Fair value release on disposal of available-for-sale financial assets		**(19,307)**	–
Currency translation difference		**(9,335)**	821
Total comprehensive income for the period		**30,791**	199,162

	Note	Unaudited Six months ended 30th June **2016** ***RMB'000***	 2015 *RMB'000*
Profit attributable to:			
– Equity holders of the Company		**29,048**	41,131
– Non-controlling interests		**(20,309)**	(7,148)
		8,739	33,983
Total comprehensive income attributable to:			
– Equity holders of the Company		**51,100**	206,310
– Non-controlling interests		**(20,309)**	(7,148)
		30,791	199,162
Earnings per share attributable to the equity holders of the Company during the period (expressed in RMB per share)			
Basic earnings per share:	*7*	**0.0315**	0.0616
Diluted earnings per share:	*7*	**0.0312**	0.0599

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited 30th June 2016** *RMB'000*	Audited 31st December 2015 *RMB'000*
ASSETS			
Non-current assets			
Land use rights	*9*	**173,777**	176,145
Investment properties	*9*	**592,756**	510,551
Property, plant and equipment	*9*	**299,454**	291,073
Intangible assets	*9*	**1,545,415**	1,461,722
Long-term deposits, prepayments and other receivables	*11*	**120,261**	74,989
Non-current portion of finance leases receivables		**24,000**	24,000
Deferred income tax assets		**25,680**	17,271
Investments accounted for using equity method		**543,400**	518,716
Available-for-sale financial assets		**510,865**	421,690
Financial assets at fair value through profit or loss		**3,800**	5,100
Total non-current assets		**3,839,408**	3,501,257
Current assets			
Properties under development		**750,734**	670,683
Direct selling costs		**125,639**	105,316
Current portion of finance leases receivables		**74,998**	68,846
Deposits, prepayments and other receivables	*11*	**877,100**	435,372
Trade receivables	*11*	**128,871**	111,794
Inventories		**5,641**	3,073
Financial assets at fair value through profit or loss		**3,041**	–
Cash and cash equivalents		**676,026**	790,701
Total current assets		**2,642,050**	2,185,785
Total assets		**6,481,458**	5,687,042
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**94,414**	85,090
Other reserves		**2,378,149**	1,976,484
Retained earnings		**434,407**	405,359
		2,906,970	2,466,933
Non-controlling interests		**145,772**	132,013
Total equity		**3,052,742**	2,598,946

	Note	Unaudited 30th June 2016 *RMB'000*	Audited 31st December 2015 *RMB'000*
LIABILITIES			
Non-current liabilities			
Non-current portion of finance lease obligations		**37**	249
Non-current portion of bank borrowings	*12*	**169,300**	20,000
Non-current portion of other borrowings	*12*	**26,879**	26,597
Deferred government grants		**188,515**	195,048
Deferred income tax liabilities		**159,098**	148,131
Receipt in advance	*14*	**53,237**	53,237
Issued convertible bonds – liability portion		**618,705**	600,225
Total non-current liabilities		**1,215,771**	1,043,487
Current liabilities			
Current portion of finance lease obligations		**500**	734
Trade payables	*13*	**7,163**	3,618
Accrued expenses and other payables		**104,889**	148,935
Deferred revenue		**281,170**	267,154
Current portion of bank borrowings	*12*	**489,854**	479,760
Current portion of other borrowings	*12*	**1,478**	952
Deferred government grants		**12,581**	7,898
Receipt in advance	*14*	**1,237,308**	1,088,866
Other taxes payables		**16,830**	23,271
Income tax payables		**23,572**	23,421
Financial liability at fair value through profit or losses		**37,600**	–
Total current liabilities		**2,212,945**	2,044,609
Total liabilities		**3,428,716**	3,088,096
Total equity and liabilities		**6,481,458**	5,687,042

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Unaudited Attributable to equity holders of the Company				
	Share capital	Other reserves	Retained earnings	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at 1st January 2016	**85,090**	**1,976,484**	**405,359**	**132,013**	**2,598,946**
Profit for the period	**–**	**–**	**29,048**	**(20,309)**	**8,739**
Other comprehensive income:					
Fair value gains on available-for-sale financial assets, net of deferred tax	**–**	**50,694**	**–**	**–**	**50,694**
Fair value release on disposal of available-for-sale financial assets, net of deferred tax	**–**	**(19,307)**	**–**	**–**	**(19,307)**
Currency translation difference	**–**	**(9,335)**	**–**	**–**	**(9,335)**
Total comprehensive income for the period ended 30th June 2016	**–**	**22,052**	**29,048**	**(20,309)**	**30,791**
Transactions with owners:					
Share based compensation-value of employee services	**–**	**14,623**	**–**	**–**	**14,623**
Exercise of share options	**1,279**	**10,429**	**–**	**–**	**11,708**
Issuance of shares upon conversion of convertible bonds	**8,045**	**304,561**	**–**	**–**	**312,606**
Non-controlling interest arising on business combination	**–**	**–**	**–**	**14,085**	**14,085**
Contribution from non-controlling shareholders of subsidiaries	**–**	**–**	**–**	**16,650**	**16,650**
Change in ownership interest in subsidiary without change of control	**–**	**50,000**	**–**	**3,333**	**53,333**
Balance as at 30th June 2016	**94,414**	**2,378,149**	**434,407**	**145,772**	**3,052,742**

	Unaudited Attributable to equity holders of the Company				
	Share capital	Other reserves	Retained earnings	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at 1st January 2015	66,465	741,008	352,807	154,887	1,315,167
Profit for the period	–	–	41,131	(7,148)	33,983
Other comprehensive income:					
Fair value gains on available-for-sale financial assets, net of deferred tax	–	164,358	–	–	164,358
Currency translation difference	–	821	–	–	821
Total comprehensive income for the period ended 30th June 2015	–	165,179	41,131	(7,148)	199,162
Transactions with owners:					
Share based compensation-value of employee services	–	14,775	–	–	14,775
Exercise of share options	52	612	–	–	664
Contribution from non-controlling shareholders of subsidiaries	–	–	–	620	620
Balance as at 30th June 2015	66,517	921,574	393,938	148,359	1,530,388

In accordance with the relevant PRC regulations applicable to wholly foreign owned enterprises, the PRC subsidiaries are required to appropriate to reserve fund an amount of not less than 10% of the profit after income tax, calculated based on the PRC accounting standards. Should the accumulated total of this reserve fund reach 50% of the registered capital of the PRC subsidiaries, the subsidiaries will not be required to make any further appropriation. The reserve fund can only be used, upon approval by the shareholders' meeting or similar authorities, to offset accumulated losses or increase capital.

During the six months ended 30th June 2016, retained earnings amounted approximately RMB3,498,000 (30th June 2015: RMB6,287,000) had been transferred to the statutory reserves. As at 30th June 2016, retained earnings comprise statutory reserve fund amounting to RMB67,414,000 (30th June 2015: RMB52,730,000)).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

The core business of the Group is to organise a business-to-business ("B2B") community across China by providing business information through both on-line and offline channels.

The Group is principally engaged in the following activities in China:

– Providing industrial search result prioritising services through its B2B website "hc360.com" and offering comprehensive IT-related product information by "zol.com.cn"; and providing trading and agency services through its O2O trading platform "ibuychem.com";

– Publishing its own trade catalogues and yellow page directories;

– Hosting exhibitions and seminar;

– Providing anti-counterfeiting products and services to enterprises;

– Engaging in micro-credit internet financing business through its joint venture;

– Providing lease financing services;

– In the process of constructing O2O business exhibition centres.

During the period ended 30th June 2016, the Group completed the acquisition of the entire issued share capital of Zhongfu Holdings Limited, which in turn held 80.38% equity interest of 浙江中服網絡科技有限公司 ("Zhejiang Zhongfu Internet Technology Company Limited") ("浙江中服"). 浙江中服 is principally engaged in the provision of vertical websites in the garment industry in the PRC. It holds certain assets related to the operation of the websites under the key domain names: www.efu.com.cn (中國服裝網), www.yifu.net (壹服), www.51fashion.com.cn (時尚飾界), www.5143.cn (服裝加盟網), www.nynet.com.cn (中國內衣網) and www.kidsnet.cn (童裝加盟網), which are internet portals mainly providing information on fashion brands, finished garment products (such as men's wear, women's wear, children's wear, underwear, shoes, leather goods, down jackets and others), fabrics, ancillary materials (such as buttons, zippers), textile equipment (such as sewing machines, cutting machines, stitching machines, printing machines, automated systems) to business users (such as manufacturers, wholesalers, traders, department stores, shopping malls) in the garment industry.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is 4th Floor, One Capital Place, P.O. Box 847, George Town, Grand Cayman, Cayman Islands, British West Indies. The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited since 10th October 2014.

The condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. The condensed consolidated interim financial information has been approved for issue by the Board on 16th August 2016.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30th June 2016 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31st December 2015, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs").

3 Segment information

The chief operating decision-maker ("CODM") has been identified as the Executive Directors. The Executive Directors review the Group's internal report in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Executive Directors assess the performance of the operating segments based on a measure of profit/(loss) before income tax. This measurement basis excludes the effects of non-recurring expenditure from the operating segments.

As at 30th June 2016, the Group is organised into the following business segments:

(i) Online services – provision of a reliable platform to customers to do business and meet business partners on-line and providing online to offline trading and agency services through its O2O platform on chemical and plastic materials in the PRC.

(ii) Trade catalogues and yellow page directories – provision of trade information through trade catalogues and yellow page directories operated/published by the Group.

(iii) Seminars and other services – services for hosting of seminars.

(iv) O2O business exhibition centre – sales of properties and provision of property rental and management services.

(v) Anti-counterfeiting products and services – provision of products meticulous digital identity management services, consumer goods tracing and anti-counterfeiting services to enterprise.

(vi) Financing services – engaged in micro-credit internet financing business and lease in the PRC.

There were no sales or other transactions between the business segments for the period ended 30th June 2016 and 2015.

	Unaudited Six months ended 30th June 2016						
	Trade catalogues and yellow page directories *RMB'000*	**On-line services** *RMB'000*	**Seminars and other services** *RMB'000*	**O2O business exhibition centre** *RMB'000*	**Anti-counterfeiting products and services** *RMB'000*	**Financing services** *RMB'000*	**Total** *RMB'000*
Revenue	**6,124**	**387,893**	**46,243**	**–**	**22,667**	**2,842**	**465,769**
Segment results*	**(3,088)**	**1,744**	**1,597**	**(25,583)**	**(8,452)**	**2,741**	**(31,041)**
Share of post-tax losses of associates	**–**	**(2,179)**	**–**	**(2,434)**	**53**	**–**	**(4,560)**
Share of post-tax profits of joint ventures	**–**	**–**	**–**	**–**	**–**	**11,244**	**11,244**
Other income							**5,539**
Other gains							**32,563**
Finance cost, net							**(8,344)**
Profit before income tax							**5,401**
Depreciation and amortisation	**200**	**36,250**	**3,665**	**133**	**284**	**–**	**40,532**
Share based compensation expenses	**252**	**13,016**	**1,053**	**110**	**192**	**–**	**14,623**

* including B2B 2.0 related expense of approximately RMB73 million.

	Unaudited Six months ended 30th June 2015						
	Trade catalogues and yellow page directories *RMB'000*	On-line services *RMB'000*	Seminars and other services *RMB'000*	O2O business exhibition centre *RMB'000*	Anti-counterfeiting products and services *RMB'000*	Financing services *RMB'000*	Total *RMB'000*
Revenue	8,447	315,936	37,061	–	29,608	–	391,052
Segment results	(2,129)	36,318	1,438	(9,827)	2,406	–	28,206
Share of post-tax losses of associates	–	27	–	(2,520)	–	–	(2,493)
Share of post-tax profits of joint ventures	–	–	–	–	–	9,127	9,127
Other income							2,080
Finance income, net							5,040
Profit before income tax							41,960
Depreciation and amortisation	277	14,232	1,343	274	3,292	–	19,418
Share based compensation expenses	338	12,653	1,484	104	196	–	14,775

The Group is domiciled in the PRC. All revenues for the six months ended 30th June 2016 are from external customers in the PRC (six months ended 30th June 2015: same).

4 Expenses by nature

Expenses including cost of revenue, selling and marketing expenses and administrative expenses are analysed as follows:

	Unaudited Six months ended 30th June	
	2016	2015
	RMB'000	*RMB'000*
Direct expenses of trade catalogues and yellow page directories	**1,743**	4,702
Direct expenses of on-line services	**23,341**	1,445
Direct expenses of seminars and other services	**9,952**	14,668
Direct expenses of anti-counterfeiting products and services	**11,613**	13,396
Agency costs	**43,793**	51,789
Marketing expenses	**91,767**	45,647
Network and telephone expenses	**8,911**	7,624
Auditor's remuneration		
– Audit services	**1,659**	1,224
– Non audit services	**252**	201
Other professional fees	**11,501**	7,587
Employee benefits expenses, including directors' emoluments	**197,147**	138,324
Amortisation of land use rights	**213**	214
Amortisation of intangible assets	**25,077**	3,010
Share based compensation expenses	**14,623**	14,775
Depreciation of property, plant and equipment	**15,242**	16,194
(Reversal of)/Provision for impairment and direct write-off of trade and other receivables	**(1,206)**	1,957
(Gain)/Loss on disposal of property, plant and equipment	**(53)**	104
Operating lease payments in respect of land and buildings	**17,080**	11,755
Travelling expenses	**4,321**	5,048
Other expenses	**19,834**	23,182
Total cost of revenue, selling and marketing expenses and administrative expenses	**496,810**	362,846

5 Finance (cost)/income, net

	Unaudited Six months ended 30th June	
	2016	2015
	RMB'000	*RMB'000*
Interest expense:		
– Bank borrowings	**(14,967)**	(6,214)
– Other borrowings	**(1,142)**	(672)
– Issued convertible bonds	**(22,770)**	(20,771)
– Finance lease obligations	**(70)**	(139)
Finance expenses	**(38,949)**	(27,796)
Less: amounts capitalised on qualifying assets	**4,734**	6,156
Total finance expenses	**(34,215)**	(21,640)
Finance income	**25,871**	26,680
Finance (cost)/income, net	**(8,344)**	5,040

6 Income tax credit/(expense)

	Unaudited Six months ended 30th June	
	2016	2015
	RMB'000	*RMB'000*
Current income tax expense		
– Hong Kong profits tax (i)	**–**	–
– The PRC corporate income tax ("CIT") (ii)	**(10,893)**	(9,150)
Deferred income tax credit	**14,231**	1,173
	3,338	(7,977)

(i) No Hong Kong profits tax has been provided as there is no assessable profit arising in Hong Kong for the period (2015: Nil).

(ii) The PRC corporate income tax represents taxation charged on assessable profits for the year at the rates of taxation prevailing in the cities in the PRC in which the Group operates.

The tax rate applicable to the subsidiaries in the PRC is 25%, except for certain subsidiaries the PRC granted with preferential tax treatment as High/New Technology Enterprise of which the applicable tax rates is 15% for a period from 2015 to 2018 according to the applicable CIT law.

7 Earnings per share

	Unaudited Six months ended 30th June	
	2016	2015
	RMB'000	*RMB'000*
Profit attributable to equity holders	**29,048**	41,131

	Unaudited Six months ended 30th June	
	2016	2015
	No. of Shares	*No. of Shares*
	'000	*'000*
Weighted average number of shares in issue	**922,693**	667,478
Incremental shares from assumed exercise of share options granted	**8,716**	19,407
Diluted weighted average number of shares	**931,409**	686,885

	Unaudited Six months ended 30th June	
	2016	2015
	No. of Shares	No. of Shares
	'000	*'000*
Basic earnings per share (in RMB)	**0.0315**	0.0616
Diluted earnings per share (in RMB)	**0.0312**	0.0599

8 Dividends

No dividends was paid or declared by the Company during the period (2015: Nil).

9 Property, plant and equipment, land use rights, investment properties, intangible assets and goodwill

	Property, plant and equipment *RMB'000*	Land use rights *RMB'000*	Investment Properties *RMB'000*	Intangible assets *RMB'000*	Goodwill *RMB'000*
Opening net book amount as at 1st January 2016	**291,073**	**176,145**	**510,551**	**431,161**	**1,030,561**
Additions	**25,545**	**–**	**77,683**	**444**	**–**
Acquisition of subsidiaries	**1,281**	**–**	**–**	**69,900**	**38,426**
Interest capitalised	**–**	**–**	**2,367**	**–**	**–**
Disposals	**(1,353)**	**–**	**–**	**–**	**–**
Depreciation and amortisation	**(15,242)**	**(213)**	**–**	**(25,077)**	**–**
Government grant received	**(1,850)**	**–**	**–**	**–**	**–**
Amortisation charge capitalised in investment properties	**–**	**(2,155)**	**2,155**	**–**	**–**
Closing net book amount as at 30th June 2016	**299,454**	**173,777**	**592,756**	**476,428**	**1,068,987**
Opening net book amount as at 1st January 2015	296,052	180,882	194,974	55,373	50,314
Additions	10,233	–	137,384	–	–
Interest capitalised	–	–	3,078	–	–
Disposals	(3,214)	–	–	–	–
Depreciation and amortisation	(16,194)	(214)	–	(3,010)	–
Amortisation charge capitalised in investment properties	–	(2,155)	2,155	–	–
Closing net book amount as at 30th June 2015	286,877	178,513	337,591	52,363	50,314

10 Business combinations

Zhongfu Holdings Limited

On 18th December 2015, the Company entered into sale and purchase agreement with Daxiong Holdings Limited, Hanson He Holdings Limited, Richard Chen Holdings Limited, Grand Novel Developments Limited (浩新發展有限公司) and Mr Moustache Holdings Limited (collectively, the "Sellers"), and Mr. Cao Guoxiong (曹國熊), Mr. He Shunsheng (何順生), Mr. Chen Xuejun (陳學軍), Mr. Guan Jianzhong (管建忠), and Mr. Liao Bin (廖斌) (collectively, the "Seller Guarantors"), pursuant to which the Sellers has conditionally agreed to sell, and the Company has conditionally agreed to acquire the entire issued share capital of Zhongfu Holdings Limited, for an aggregate consideration of approximately HK$170,807,500 (equivalent to RMB144,573,000). Part of the consideration amounting approximately HK$70,095,000 (equivalent to RMB59,329,000) was settled in cash and the remaining portion was settled by issuance and allotment of convertible bonds which are subject to downward adjustments stipulated in the sale and purchase agreement. The convertible bond was recognised as a financial liability at fair value through profit or loss ("FLTPL"). The fair value of the FLTPL was estimated to be approximately RMB36,800,000 at the acquisition date.

On 5th January 2016, 杭州賽典信息科技有限公司 ("杭州賽典"), a wholly owned subsidiary of Zhongfu Holdings Limited, entered into a series of structured contracts, including Exclusive Right to Purchase Agreement; Authorisation Agreement; Management and Operations Agreement and Pledge Agreement (together, the as "Structured Contracts") with the shareholders of 杭州賽點科技有限公司 ("Hangzhou Saidian Technology") ("杭州賽點"), Mr.Guo Jiang(郭江), Mr. Chen Xuejun (陳學軍) (together the "PRC Equity Owners").

The shareholders of 杭州賽點 unconditionally and irrevocably authorise any individual designated by the Group to represent them in exercising all their rights as shareholders of 杭州賽點 including without limitation, to transfer all their equity interests, to determine the consideration for such transfer, to complete all relevant procedures regarding such transfer, to attend general meetings and exercise voting rights, to execute all such relevant documents, agreements and resolutions. In addition, if 杭州賽點 declares any dividend, bonus or adopts any proposal for distribution of profits, such dividends, bonus or economic benefits of all such proposal for distribution shall be delivered to the Group.

In accordance with the "Structured Contracts", the Group has acquired the control over 杭州賽點 as the Group has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the Hangzhou Saidian Technology's variable returns. The Group is also entitled to substantially all of the operating profits and residual interest generated by 杭州賽點.

杭州賽點 in turn held 80.38% of the equity interest of 浙江中服網絡科技有限公司 ("Zhejiang Zhongfu Internet Technology Company Limited") ("浙江中服"). On 8th January 2016, the Group fulfilled all the conditions precedent set out in the sale and purchase agreement. The acquisition of 100% of equity interest of Zhongfu Holdings Limited has been completed accordingly. Consequently, 浙江中服 has become a subsidiary of the Group with effect from 8th January 2016.

The results and financial position of Zhongfu Holdings Limited have been included in the consolidated financial statements of the Group from 8th January 2016.

The goodwill of approximately RMB38,426,000 arising from the acquisition is attributable the synergies and technical talent and economies of scale expected from combining the operations of the Group and 浙江中服. None of the goodwill recognised is expected to be deductible for income tax purpose.

The following table summarises the consideration paid for Zhongfu Holdings Limited, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

Consideration: At 8th January 2016	***RMB'000***
Cash	**59,329**
Financial liability at fair value through profit or loss	**36,800**
Total consideration transferred	**96,129**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	**10,300**
Financial assets at fair value through profit or loss	**704**
Property, plant and equipment	**1,281**
Trade and other receivables	**6,137**
Intangible assets – Trade name and domain name	**68,300**
Intangible assets – Non-compete agreement	**800**
Intangible assets – Order backlog	**800**
Deferred revenue	**(5,394)**
Trade and other payables	**(457)**
Deferred tax assets	**12**
Deferred tax liabilities	**(10,525)**
Other tax liabilities	**(170)**
Total identifiable net assets	**71,788**
Non-controlling interest	**(14,085)**
Goodwill	**38,426**
	96,129

Acquisition-related costs of RMB778,000 have been charged to administrative expenses in the interim condensed consolidated income statement for the period ended 30th June 2016.

Performance Targets and adjustment mechanism
As set out in the sale and purchase agreement, the total consideration was approximately HK$170,807,500 (equivalent to RMB144,573,000). Part of the consideration amounting to approximately HK$70,095,000 (equivalent to RMB59,329,000) was settled in cash, while the remaining portion was settled by issuance and allotment of convertible bonds which is subject to downward adjustments on the basis of the Performance Targets to each of the Sellers. In the event that the Performance Targets are achieved in each of the Performance Undertaking Years, the following principal amounts of the Convertible Bonds will be allotted and issued to each of the Sellers:

Sellers	**Relevant Percentage**	**Principal amount of the Convertible Bonds to be allotted and issued to the relevant Sellers**	**Number of Conversion Shares (subject to downward adjustments) to be allotted and issued to the relevant Sellers**
Daxiong	5.53%	HK$5,569,401	556,940
Hanson	6.22%	HK$6,264,319	626,432
Richard	63.55%	HK$64,002,793	6,400,279
Grand Novel	19.35%	HK$19,487,869	1,948,787
Moustache	5.35%	HK$5,388,118	538,812

Pursuant to the Sale and Purchase Agreement, the Seller Guarantors jointly, severally and irrevocably covenant and undertake to the Company that the audited consolidated distributable profit (after-tax) of Zhejiang Zhongfu shall achieve the Performance Targets for the relevant Performance Undertaking Years:

Financial year	**Performance Targets**
Year ending 31st December 2016 (“First Performance Undertaking Year”)	RMB10,000,000
Year ending 31st December 2017 (“Second Performance Undertaking Year”)	RMB13,000,000
Year ending 31st December 2018 (“Third Performance Undertaking Year”)	RMB16,900,000

By the end of each Performance Undertaking Year, the Company shall procure the Zhongfu Holdings Limited to prepare the audited consolidated financial statements of 浙江中服 (the “Audited Financial Statements”) in accordance with HKFRS, and provide the Sellers with the Audited Financial Statements within 90 days from the end of the relevant Performance Undertaking Year.

If the audited consolidated distributable profit (after tax) of 浙江中服 (“Performance Target”) cannot be achieved for a Performance Undertaking Year, (i) each of the Sellers must convert all or part(s) of the principal amount of its convertible bonds that will expire in the next financial year (the “Expiring CB”) into conversion shares (in the following manner depending on the amount of the audited consolidated distributable profit (after-tax) of 浙江中服); and (ii) the Company shall have the right to redeem from each of the Sellers the remaining principal amounts of the Expiring CB at HK$1 plus any Expiring CB that has not been converted by the Sellers and cancel the same within 30 Business Days after the publication of the relevant Audited Financial Statement:

Audited consolidated distributable profit (after-tax) of 浙江中服	**Principal amount of Convertible Bonds to be converted into Conversion Shares (HK$)**	**Principal amount of the Convertible Bonds that the Company could redeem and cancel (HK$)**
First Performance Undertaking Year		
RMB10,000,000 or above	**40,427,500**	**–**
RMB9,000,000 (inclusive) to RMB9,999,999	**36,394,280**	**4,033,220**
RMB8,000,000 (inclusive) to RMB8,999,999	**28,327,850**	**12,099,650**
RMB7,000,000 (inclusive) to RMB7,999,999	**16,228,200**	**24,199,300**
RMB6,999,999 (inclusive) or below	**–**	**40,427,500**

Second Performance Undertaking Year		
RMB13,000,000 or above	**30,142,500**	**–**
RMB11,700,000 (inclusive) to RMB12,999,999	**27,135,360**	**3,007,140**
RMB10,400,000 (inclusive) to RMB11,699,999	**21,121,070**	**9,021,430**
RMB9,100,000 (inclusive) to RMB10,399,999	**12,099,660**	**18,042,840**
RMB9,099,999 (inclusive) or below	**–**	**30,142,500**

Third Performance Undertaking Year		
RMB16,900,000 or above	**30,142,500**	**–**
RMB15,210,000 (inclusive) to RMB16,899,999	**27,135,360**	**3,007,140**
RMB13,520,000 (inclusive) to RMB15,209,999	**21,121,070**	**9,021,430**
RMB11,830,000 (inclusive) to RMB13,519,999	**12,099,600**	**18,642,840**
RMB11,829,999 (inclusive) or below	**–**	**30,142,500**

As at 8th January 2016, a financial liability at fair value through profit or loss of approximately RMB36,800,000 in relation to this arrangement was recognised in the consolidated statement of financial position based on the contingent consideration arrangement.

As at 30th June 2016, the fair value of the contingent consideration was approximately RMB37,600,000, the change in the fair value amounted RMB800,000 was charged "other gains" in to the consolidated statement of comprehensive income.

The fair value of the contingent consideration arrangement was estimated by applying income approach which considers the probability that Seller Guarantor could complete the Performance Target and the market prices of the consideration share at the valuation date.

The key unobservable assumptions in calculating this profit are:

Assumption	
Risk-free rate	0.66%
Discount rate (pre-tax)	17.6%
Probability to achieve the performance target	80%

The revenue included in the consolidated statement of comprehensive income since 8th January 2016 contributed by 浙江中服 was RMB9,030,000. 浙江中服 also contributed profit (excluding amortisation expense of intangible assets and change in fair value of the contingent consideration) of RMB3,650,000 over the same period.

11 Trade receivables, deposits, prepayments and other receivables

	Unaudited 30th June 2016 *RMB'000*	Audited 31st December 2015 *RMB'000*
Trade receivables *(Note a)*	**137,036**	121,165
Less: provision for impairment of trade receivables	**(8,165)**	(9,371)
Trade receivables – net	**128,871**	111,794
Deposits, prepayments and other receivables	**967,610**	481,366
Loans to employees	**29,751**	28,995
	1,126,232	622,155
Less: Non-current deposit, prepayments and other receivables	**(120,261)**	(74,989)
Current portion	**1,005,971**	547,166

(a) The Group generally grants a credit period of 90 days to customers. The aging analysis of the gross trade receivables based on invoice date is as follows:

	Unaudited 30th June 2016 *RMB'000*	Audited 31st December 2015 *RMB'000*
Current to 90 days	**104,156**	92,106
91 to 180 days	**16,948**	14,733
181 to 365 days	**7,590**	9,911
Over 1 year	**8,342**	4,415
	137,036	121,165

The carrying amounts of trade receivables approximate their fair values.

12 Borrowings

	Unaudited 30th June 2016	Audited 31st December 2015
	RMB'000	*RMB'000*
Non-current portion:		
Bank borrowings	**169,300**	20,000
Other borrowings	**26,879**	26,597
	196,179	46,597
Current portion:		
Bank borrowings	**489,854**	479,760
Other borrowings	**1,478**	952
	491,332	480,712
Total borrowings	**687,511**	527,309

Movements in borrowings are analysed as follows:

	Unaudited Six months ended 30th June	
	2016	2015
	RMB'000	*RMB'000*
Opening amount as at 1st January	**527,309**	139,664
Additions of borrowings and interest	**259,515**	149,739
Repayments of borrowings and interest	**(99,313)**	(66,287)
Closing amount as at 30th June	**687,511**	223,116

Bank borrowings mature until 2018 and bear average interest rate of 5.9% per annum (31st December 2015: 5.5% per annum), part of which amounting to RMB160,000,000 are secured by certain properties and land use right with carrying value amounting to RMB300,638,000 (31st December 2015: RMB213,070,000).

Other borrowings are provided by the non-controlling shareholders of a subsidiary of the Group for the investment in an associate. The borrowings are unsecured, mature until 2018 and bear average interest rate of 6.4% per annum (31st December 2015: 6.4% per annum).

The carrying amounts of borrowings approximate their fair values and are denominated in RMB.

The Group's borrowings were repayable as follows:

	Bank borrowings		Other borrowings	
	Unaudited	Audited	**Unaudited**	Audited
	30th June	31st December	**30th June**	31st December
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**489,854**	479,760	**1,478**	952
Between 1 and 2 years	**169,300**	20,000	**16,000**	8,320
Between 2 and 5 years	**–**	–	**10,879**	18,277
	659,154	499,760	**28,357**	27,549

13 Trade payables

The aging analysis of the trade payables are as follows:

	Unaudited	Audited
	30th June	31st December
	2016	2015
	RMB'000	*RMB'000*
Current to 90 days	**3,825**	2,710
91 to 180 days	**2,847**	593
181 to 365 days	**216**	159
Over 1 year	**275**	156
	7,163	3,618

14 Receipt in advance

	Unaudited	Audited
	30th June	31st December
	2016	2015
	RMB'000	*RMB'000*
Non current	**53,237**	53,237
Current	**1,237,308**	1,088,866
	1,290,545	1,142,103

The amount represents deposits received from independent third parties on the presale of properties on O2O business exhibition centre under development.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue Analysis	On-line services *RMB'000*	Trade catalogues and yellow page directories *RMB'000*	Seminars and other services *RMB'000*	Anti-counterfeiting products and services *RMB'000*	O2O business exhibition centre *RMB'000*	Financing services *RMB'000*	Total *RMB'000*
First half of 2016	387,893	6,124	46,243	22,667	–	2,842	465,769
First half of 2015	315,936	8,447	37,061	29,608	–	–	391,052
Variance	22.8%	(27.5%)	24.8%	(23.4%)	–	100%	19.1%

During the period, the Group recorded a revenue of approximately RMB465.8 million (2015: RMB391.1 million).

The above table shown the revenue breakdown of the Group.

The revenue was derived from the segments of online services, trade catalogues and yellow page directories, seminars and other services, anti-counterfeiting products and services and financing services. Overall gross profit ratio has decreased by approximately 1.3 percentage points to a satisfied level of 90.0% (2015: 91.3%).

The Group increased its selling and marketing expenses from approximately RMB229.5 million for the half year ended 30th June 2015 to approximately RMB312.0 million in the same period of 2016 which was mainly due to the increase of salaries and marketing expenses.

The Group's profit attributable to equity holders had decreased to approximately RMB29.0 million for the six months ended 30th June 2016, decreased 29.4% from the same period last year, the Board believes that the aforesaid decrease is mainly due to the adverse impact of ongoing economic transformation in the People's Republic of China (PRC) and the continuous input of resources on B2B 2.0 related products and services. The overall expense related to B2B 2.0 that incurred during the first half of 2016, was RMB73 million, which was generally a results of team building, IT related R&D and structuring of B2B close-loop environment.

Business Review

During the first half of 2016, small-size companies experienced operational challenges as their indicative PMI was in the contraction range of 44.4 to 47.9 , and likewise, medium-size companies faced operational challenges in some extend as transitionally but adversely impacted by the on-going national-wide economic transformation, where observed from their PMI, hovering around 48.1 to 50.4.

Besides overcoming operational challenges, cash-flow financing was another challenge faced by small and medium-size enterprises (SMEs). With evident from the cash position of RMB1.2 trillion held by China's large-size enterprises (excluding financial institutions) as of 30th June 2016, where cash and cash equivalent increased by 18% on a quarterly basis and outpaced Japan, US and Europe, a relatively weaker investment confidence was visible during the first half of 2016 as considerable financing resources were re-directed to large-size enterprises. Aiming to meet SMEs' operational and financing need, the Group had continued to build B2B eco-system, via providing comprehensive business solutions including information and advertisement, buyer XunPanBao (詢盤寶), trade-match, finance service, anti-counterfeiting products, third-party logistics etc. During the first half of 2016, our overall revenue increased by approximately 19% as compared to the same period last year.

Since the commencement of strategic layout in 2013, the Group explored in deep the profitability model of injecting trade-match plus internet finance of B2B2.0 into the foundation of B2B1.0. During the fiscal year of 2015 and the first half of 2016, the Group continued to build related segments within the B2B eco-system, increased input of resources for B2B 2.0 related products and services and engaged in meeting every demand of its clients. Leveraging on the operation experience spreading over 50 industries, we had expended B2B services both horizontal and vertical ways, some industries had made distinguished results, such as chemical, clothing, IT and 3C related, small household electrical appliances.

On 8th January 2016, the Group had successfully completed the acquisition of 100% equity interest of Zhongfu Holdings Limited, which in turn held 80.38% equity interest of 浙江中服網絡科技有限公司 ("浙江中服"). 浙江中服 holds certain assets related to the operation of the websites under the key domain names: www.efu.com.cn (中國服裝網), www.yifu.net (壹服), www.51fashion.com.cn (時尚飾界), etc., which are internet portals mainly providing industry information widely including textile equipment, fabrics, ancillary materials and finished garment.

The Group's Shunde JiaDian City ("順德慧聰家電城"), the national's fist B2B online and offline business exhibition center, which located in Shunde, Guangdong Province, commenced operation on 18th March 2016. Regarding the second business exhibition center (small household electrical appliances, plastic of product-in-use and plastic mode) that located in Yuyao, Zhejiang Provence, the construction had begun in March 2015 and the construction period was expected for 2 to 3 years. Up to the reporting date, Shunde JiaDian City had driven the local sales of small household electrical appliances in Shunde and Zhongshan areas of Guangdong Province and leveraging on the "store in the front, factory at the back" setting, Shunde JiaDian City had assisted manufacturers de-stocking while improving the procurement efficiencies of distributors. During the period of 18th March to 30th June 2016, Shunde JiaDian City's completed gross merchandise volume ("GMV") amounted to approximately RMB2.33 billion.

The Group had commenced the trade-match services since July 2015, and during the first half of 2016, the completed gross merchandise volume ("GMV") was approximately RMB15.2 billion. In July 2016, the Group was nominated the second place in the 100 B2B companies based on GMV, revenues, industry influences and etc., by China e-commerce association.

To create "trade plus finance" model in the B2B eco-system, the Group, cooperated with its major shareholder, Digital China Company Holding Limited, established a joint-ventured company of Chongqing Digital China Huicong Mirco-Credit Co., Ltd. ("Micro-loan Company"), and continued to utilize its resources, to assist its clients for multiple financing solutions including trade finance, personal credit loan and guaranteed loan.

Beside the micro-loan products, the Group had engaged in other B2B financing solutions and products. Leveraging on its Finance Lease Company Limited established in Tianjin, and cooperation with other financial institutions, we would continue to explore potential business opportunities to meet the financing need of our clients.

As of 30 June 2016, the balance of internet finance granted by the Micro-Loan Company and Finance Lease Company Limited, to costumers amounted to approximately 1.9 billion.

During the Reporting Period, the Group's Stock Keeping Unit (SKU) had been further strengthened and increased by approximately 76 million to approximately 561 million, up from approximately 485 million as end of 2015.

During the key moment of B2B industry transformation, we believe, the Group's relentless efforts in building B2B eco-system will bring us to our destiny that definitely would be more blossoms with the patience and supports from our fellow investors.

Liquidity and financial resources

As at 30th June 2016 the Group had cash and bank balance of approximately RMB676 million and net current assets of approximately RMB429 million. The Group maintained a strong working capital position during the six months ended 30th June 2016.

The Group had total borrowings amounting to approximately RMB688 million as at 30th June 2016 (including financial lease obligations), compared to RMB528 million as at 31th December 2015. The increase in borrowings are mainly for financing the construction and initial operation of the O2O business exhibition Centre in Shunde. As at 30th June 2016, the Group was in net cash position, whereas the Group's gearing ratio is calculated as net debt divided by total capital.

The capital and reserves attributable to equity holders of the Company increased by approximately RMB233 million from approximately RMB1,530 million as at 31st December 2015 to approximately RMB1,763 million as at 30th June 2016.

Significant investments

Saved as disclosed in this announcement, the Group had no significant investments during the six months ended 30th June 2016.

Future plans for material investments

Saved as disclosed in this announcement, the Group had no future plans for material investments during the six months ended 30th June 2016.

Staff

The continued success of the Group relies on the skills, motivation and commitment of its staff. As at 30th June 2016, the Group had 3,234 employees.

Remuneration of employees is generally in line with the market trend and commensurate with the rate in the industry. Share options and share awarded are granted to employees based on individual performance. Other benefits to the Group's employees include medical insurance, retirement schemes, training programs and educational subsidies.

Capital structure

During the six months ended 30th June 2016, 110,352,000 shares of the Company ("Shares") were issued upon the exercise of share options and the conversion of the convertible bonds. The total number of issued Shares was 1,010,298,103 as at 30th June 2016.

During the period, the Company issue 2 tranches of convertible bond, including:

(1) Pursuant to a subscription agreement dated 9th December 2015 entered into between the Company, Mr. Guo Jiang, Mr. Lee Wee Ong, Mr. Liu Jun and Ms. Liu Xiaodong, convertible bonds in an aggregate principal amount of HK$380,000,000 were issued on 26th May 2016 with an initial conversion price of HK$4.00 per share, convertible into 95,000,000 shares of the Company. All such convertible bonds were converted as of 30th June 2016. The Company received net proceeds of approximately HK$378,550,000, which had not been used as of 30th June 2016.

The allotment constituted a connected transaction of the Company. Further details are set out in the announcements dated 9th December 2015, 30th December 2015, 29th February 2016, 1st April 2016 and 26th May 2016, and the circular of the Company dated 12th January 2016.

(2) Convertible bonds in the principal amount of HK$100,712,500 with an initial conversion price of HK$10 per share, convertible into 10,071,250 shares of the Company, were issued on 8th January 2016 as consideration for acquisition of Zhongfu Holdings Limited.

Further details are set out in the announcement of the Company dated 18th December 2015 and 8th January 2016.

As of 30th June 2016, 14,964,000 options under the share option scheme (if exercised, 14,964,000 shares may be issued) and convertible bonds (which if fully converted, 79,220,186 shares (subject to adjustment) may be issued) remain outstanding.

Charges on Group assets

As at 30th June 2016, the Group has bank borrowings amounting to approximately RMB659.2 million and undrawn banking facilities of approximately RMB75.7 million, which are secured by land use rights.

Exchange risk

As the Group's operations are principally in the People's Republic of China ("PRC"), and majority of the Group's assets and liabilities are denominated in Renminbi ("RMB"), the Directors believe that the operations of the Group are not subject to significant exchange risk.

Contingent liabilities

Saved as the financial liabilities at fair value through profit or loss in relation disclosed in Note 10 in condensed consolidated interim financial information, the Group had no material contingent liabilities as at 30th June 2016.

Material acquisition and disposal

Acquisition of a subsidiary — Zhongfu Holdings
On 8th January 2016, the Company completed the acquisition of the entire issued share capital of Zhongfu Holdings Limited. A series of structured contracts were entered into by a subsidiary of Zhongfu Holdings Limited with Hangzhou Saidian Technology Company Limited and its PRC equity owners on 5th January 2016. The consideration of HK$170,807,500 was satisfied as to HK$70,095,000 by cash, and as to HK$100,712,500 by convertible bonds issued by the Company. Based on the initial conversion price of HK$10 per share of the Company, an aggregate of 10,071,250 shares of the Company may be issued and allotted, subject to adjustment.

Further details are set out in the announcement of the Company dated 18th December 2015 and 8th January 2016.

Acquisition of an available-for-sale financial asset — in Shanghai Gangyin
On 15th January 2016, Beijing Huicong Zaichuang Technology Co., Ltd (an indirect wholly-owned subsidiary of the Company), entered into a subscription agreement with Shanghai Gangyin E-Commerce Co., Ltd., for the subscription of 22,000,000 shares in Shanghai Gangyin at the subscription price of RMB4.5 per share (RMB99,000,000 in aggregated) in cash.

As at 30th June 2016, the acquisition had been completed and the financial result had been recorded as available-for-sale financial asset in the Group's financial statement. Further details are set out in the announcement of the Company dated 15th January 2016.

Disposal of certain interest in a subsidiary — Guangzhou Huicong

On 15th March 2016, Mr. Liu Jun, Mr. Song Bingchen, Mr. Han Gang and Mr. Xu Ke (collectively, the "Subscribers") entered into the capital increase agreement with Shenzhen Jing Huicong Network Technology Company Limited (深圳市京慧聰網絡科技有限公司) ("Shenzhen Jing Huicong"), Beijing Huicong Interconnection Information Technology Company Limited (北京慧聰互聯信息技術有限公司) ("Beijing Huicong Interconnection") and Guangzhou Huicong Network Technology Company Limited (廣州慧聰網絡科技有限公司) ("Guangzhou Huicong"), each of them being an indirect wholly-owned subsidiary of the Company, pursuant to which the parties agreed that the registered capital of Guangzhou Huicong be increased from RMB5,000,000 to RMB8,333,333 ("Capital Increase"),comprising RMB3,333,333 to be contributed to the increase in registered capital of Guangzhou Huicong, and RMB50,000,000 to be contributed to the capital reserve of Guangzhou Huicong. The Subscribers shall make capital contribution in the aggregate amount of RMB53,333,333 by installment. Upon completion of the Capital Increase, Guangzhou Huicong will be owned as to approximately 40.00% by the Subscribers and approximately 60.00% by Shenzhen Jing Huicong and Beijing Huicong Interconnection collectively. There is no change of the Group's power of control over Guangzhou Huicong.

As at 30th June 2016, the total capital contribution by the Subscribers amounted approximately RMB26,666,000 comprising approximately RMB3,333,000 to be contributed to the increase in registered capital of Guangzhou Huicong, and approximately RMB23,333,000 to be contributed to the capital reserve of Guangzhou Huicong.

Please also refer to the announcement of the Company dated 15th March 2016 for further details.

Subsequent Events

Acquisition of an available-for-sale financial asset – Digital China
On 5th July 2016, Hong Kong Huicong International Group Limited (a wholly-owned subsidiary of the Company) entered into a agreement for sale and purchase of shares with Sparkling Investment (BVI) Limited to acquire 9,400,000 shares (approximately 0.80% of the issued shares of Digital China) of Digital China Holdings Limited (a company listed on the Main Board of the Stock Exchange, and a substantial shareholder of the Company) at the purchase price of HK$56,400,000.

The acquisition constituted a discloseable transaction of the Company. As of 30th June 2016, the subscription has not yet been completed. Further details are set out in the announcement of the Company dated 5th July 2016.

Proposed acquisition of an available-for-sale financial asset – Hohhot Jingu Rural Commercial Bank
On 7th December 2015, HC Internet Information Technology Company Limited (an indirect wholly-owned subsidiary of the Company) entered into a subscription agreement with Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company ("Hohhot Jingu", a commercial bank based in Inner Mongolia), to subscribe for 108,661,533 shares (subject to adjustment) in Hohhot Jingu at the price of RMB3 per share (RMB325,984,599 in aggregate) in cash, subject to adjustment of number of shares.

Together with the 19,300,000 shares in Hohhot Jingu already acquired by it, HC Internet Information Technology Company Limited will hold approximately 10.00% equity interests in Hohhot Jingu upon completion.

The subscription constituted a major transaction of the Company. As of 30th June 2016, the subscription has not yet been completed and supplemental agreements were entered into on 30th June 2016 and 16th August 2016 to extend the date for fulfilment of conditions precedents to 30th September 2016. Further details are set out in the announcement of the Company dated 7th December 2015.

Proposed Disposal of a subsidiary — Beijing Zhixing Ruijing
On 26th April 2016, the Company and Beijing Huicong Construction Information Consulting Co., Ltd. ("Beijing Huicong Construction", a subsidiary of the Company) (as vendor) entered into a framework agreement (as supplemented by the supplemental agreement dated 30th May 2016, and the second supplemental agreement dated 29th June 2016, collectively, "Framework Agreement") with Xizang Ruijing Huijie Entrepreneurship Investment Partnership 西藏銳景慧杰創業投資合伙企業 ("Xizang Ruijing") (as vendor) and Shanghai Ganglian E-Commerce Holdings Co., Ltd. 上海鋼聯電子商務有限公司 ("Purchaser", listed on Shenzhen Stock Exchange) (as purchaser), for the conditional disposal by Beijing Huicong Construction and Xizang Ruijing of the entire equity interest in Beijing Zhixing Ruijing Technology Co., Ltd 北京知行銳景科技有限公司 ("Target Assets"), for a total consideration not more than RMB2,080,000,000 and not less than RMB2,000,000,000.

The final amount of the total consideration shall be determined with reference to, amongst others, the asset valuation report in relation of the Target Assets and subject to further agreements to be entered into between the parties to the Framework Agreement It will be satisfied partly by cash (as to 45% of the consideration) and by consideration issue of new shares of the Purchaser (as to 55%, and to be issued at the issue price currently fixed at RMB36.49 per share). The consideration shall be split between Beijing Huicong Construction and Xizang Ruijing in the proportion of 60% and 40% respectively.

In view of the intention of the Purchaser and the Group to involve the key management of Beijing Zhixing Ruijing in the disposal and provide them with incentives to manage and run Beijing Zhixing Ruijing after the disposal, the Group will indirectly transfer up to 40% of the total consideration to Mr. Liu Xiaodong, Ms Wang Qian, Mr. Shi Shilin and Ms. Yang Ye (the "Zhixing Ex-Shareholders") pursuant to a reward mechanism upon meeting certain performance targets as set out in the announcement of the Company dated 6th May 2016.

To facilitate the disposal and implementation of the above reward mechanism, a reorganization is proposed to be carried out before the completion of the disposal. Upon completion of the reorganization, Beijing Zhixing Ruijing will be owned as to 60% by Beijing Huicong Construction and as to 40% by Xizang Ruijing.

To align the interest of the Zhixing Ex-Shareholders with the Group upon the completion of the disposal, Beijing Huicong Construction has entered into a supplemental partnership agreement with the Zhixing Ex-Shareholders on 26th April 2016 for the reward mechanism, i.e. if the certain performance target of the three years ending 31st December 2018 can be met, Beijing Huicong Construction will (i) transfer an agreed percentage of the partnership equity and the corresponding percentage of the capital amounts contributed by Beijing Huicong Construction in Xizang Ruijing to the Zhixing Ex-Shareholders at a consideration in an amount equal to the relevant capital amounts contributed by Beijing Huicong Construction in Xizang Ruijing, and (ii) procure Xizang Ruijing to declare the cash consideration received by Xizang Ruijing as dividend to the Zhixing Ex-Shareholders.

In view of the reward mechanism, on 26th April 2016, the Company entered into the supplemental deed with NAVI-IT and the Zhixing Ex-Shareholders pursuant to which the Company conditionally agreed to buy back 88,958,115 Shares at nil consideration subject to the terms and conditions of the supplemental deed. The buy-backs are in effect for the purpose of implementing the reward mechanism through which the Group will indirectly transfer up to 40% of the total consideration to the Zhixing Ex-Shareholders if certain performance targets have been met. As such, although the consideration for the buy-backs set out in the supplemental deed is nil, the actual maximum consideration for the buy-backs shall be the 40% of the total consideration of approximately RMB832,000,000.

As of 30th June 2016, the proposed disposal has not yet completed. Please also refer to the announcements of the Company dated 6th May 2016, 13th May 2016, 6th June 2016, 29th June 2016, 30th June 2016 and 29th July 2016, and 4th August 2016.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted written guidelines regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standard of dealings and the said guidelines regarding Directors' securities transactions during the six months ended 30th June 2016.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 24th July 2003 with written terms of reference based on the guidelines set out in "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee comprises two independent non-executive Directors Mr. Zhang Ke and Mr. Xiang Bing and a non-executive Director, Mr. Li Jianguang. Mr. Zhang Ke is the Chairman of the Audit Committee.

The Audit Committee has reviewed with management of the Company the accounting principles and practices adopted by the Group, and the unaudited interim results of the Group for the period ended 30th June 2016.

DIRECTORS' AND MANAGEMENT SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Each of the Directors or the management shareholders of the Company and their respective associates (as defined in the Listing Rules) has confirmed that none of them had any business or interest in any company that competes or may compete with the business of the Group or any other conflict of interests with the interests of the Group during the six months ended 30th June 2016.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Board had reviewed the Company's corporate governance practices and was satisfied that the Company had been in compliance with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules during the six months ended 30th June 2016.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the six months ended 30th June 2016.

By order of the Board
HC International, Inc.
Guo Jiang
Chief Executive Officer and Executive Director

Beijing, PRC, 16th August 2016

As at the date of this announcement, the Board comprises:

Mr. Guo Fansheng *(Executive Director and Chairman)*
Mr. Guo Jiang *(Executive Director and Chief Executive Officer)*
Mr. Lee Wee Ong *(Executive Director and Chief Financial Officer)*
Mr. Li Jianguang *(Non-executive Director)*
Mr. Guo Wei *(Non-executive Director)*
Mr. Zhang Ke *(Independent non-executive Director)*
Mr. Xiang Bing *(Independent non-executive Director)*
Mr. Zhang Tim Tianwei *(Independent non-executive Director)*